

## **FACT SHEET SMALL EMPLOYERS**

### Small Employers and the Uninsured

- Nearly half of all uninsured workers are either self-employed or work for firms with fewer than 25 employees; another 14% are in firms with 25-99 workers.

### Who Offers Coverage?

- Firm size: 60% of businesses with 3-9 workers offered health coverage in 2000, versus 97% of firms with 50 or more workers
- Wages: 55% of low-wage workers (under \$7 per hour) have access to employer-sponsored health insurance, versus 96% of higher-wage workers (over \$15 per hour)
- 42% of low-wage workers are insured, vs. 90% of higher wage workers
- Other factors: firms that are incorporated, and firms that are older are much more likely to sponsor insurance

### Nature of Coverage

- 2/3 of small firms offering insurance provide coverage through a managed care plan
- 10% of insured in small firms are offered a choice of plans, versus 84% in large firms
- Workers in small firms pay \$468 for employee-only or \$2328 for family coverage per year; workers in large firms pay an average of \$348 for employee-only or \$1476 for family coverage per year

### Why More Small Firms Do Not Sponsor Coverage

- 69% said that their firm cannot afford
- 56% said revenue was too uncertain to commit to health insurance
- 61% said employees get coverage elsewhere
- 54% said employees cannot afford
- 49% don't offer because employees are seasonal, temporary, or high turnover
- Small firms may be extremely price sensitive; e.g., a 5% decrease in price would result in a 10-15% increase in likelihood of purchase
- 64% of those who don't offer say would seriously consider if government subsidized their premiums
- 86% favored tax breaks to help low-wage workers obtain coverage
- 57% did not realize that employer share of premiums are fully tax deductible

### Additional Obstacles Facing Small Employers:

- Insuring a small group entails higher administrative and marketing costs
- Premiums more volatile because small-group coverage generally involves medical underwriting, so premiums are affected by workers with preexisting medical conditions
- If operating on thin profit margin, wary of making commitment to employees
- Reluctant to offer coverage to workers who may leave firm
- Very small firms (fewer than 5 employees) find that insurers do not market to them because they're viewed as too risky

## Policy Alternatives

- Statewide purchasing cooperative
- Expansion of Medicaid/SCHIP to cover employer-based coverage
- Health insurance premium program (HIPP)
- Tax credits for purchase of insurance (non-group or purchasing pool)
- Premium assistance (subsidies) to employees
- Reimbursing firms for purchase of employer-sponsored coverage
- Employer tax credits
- Employee tax credits to deduct cost of premium payments
- Expansion of I-CHIP to cover high risk employees

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